

Message Text

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12

ACTION EB-07

INFO OCT-01 EUR-12 EA-07 IO-13 ISO-00 FEA-01 AGRE-00

CEA-01 CIAE-00 COME-00 DODE-00 FRB-03 H-02 INR-07

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CIEP-01 SS-15 STR-04 ITC-01 TRSE-00 USIA-06 PRS-01

SP-02 OMB-01 /108 W

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R 141428Z OCT 76

FM AMEMBASSY STOCKHOLM

TO SECSTATE WASHDC 8935

INFO AMEMBASSY TOKYO

USMISSION GENEVA

USDEL MTN GENEVA UNN

USMISSION OECD PARIS

AMEMBASSY MADRID

LIMITED OFFICIAL USE STOCKHOLM 5716

E.O. 11652: N/A

TAGS: ETRD, SW

SUBJECT: SPECIALTY STEEL QUOTA AND THE BEARING STEEL PROBELM

REF: STATE 250669

1. EMBASSY DISCUSSED REFTTEL PARAS 2, 3, AND 5 WITH JOHAN LILLIEHOOK OF MFA/COMMERCE WHO IS PRIMARILY RESPONSIBLE WITHIN GOS FOR THIS QUESTION. LILLIEHOOK DEALING ON ALMOST DAILY BASIS WITH THE IRONMASTERS FEDERATION (STEEL INDUSTRY ASSOCIATION) AND BOARD OF TRADE. LILLIEHOOK HAD BEEN INFORMED BY SWEDISH EMBASSY WASHINGTON OF TALKS WITH STR AND HAS GRASP OF OUR EFFORTS TO SOLVE THE PROBLEM CREATED BY BEARING STEEL IMPORTS. HE REITERATED THE URGENCY FELT BY THE INDUSTRY HERE AS SIXTY PERCENT OF ITS US TOOL STEEL QUOTA WILL BE REALIZED IN THE VERY NEAR FUTURE.

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2. PRESS CONTINUES TO REPORT ON THE SUBJECT, NOT ALWAYS ACCURATELY. OCTOBER 14 SVENSKA DAGBLADET CARRIES ARTICLE STATING THAT "AS A RESULT OF HEAVY SWEDISH PRESSURE BROUGHT TO BEAR ON THE AMERICAN AUTHORITIES, THE US IS EXPECTED TO TEMPORARILY REFRAIN FROM APPLYING THE SPECIALTY STEEL QUOTAS ON IMPORTS FROM SWEDEN." LILLIEHOOK, WHO HAD BEEN INTERVIEWED BY THE AUTHOR OF THE ARTICLE, TOLD EMBASSY COUNSELOR THAT THIS WAS AN OBVIOUS INACCURACY AND DISTORTION OF HIS REMARKS.

3. COMMENT. THE STEEL INDUSTRY'S PROBLEMS ARE REPORTED IN OTHER CONTEXTS IN THE PRESS, GIVING SPECIALTY STEEL EXPORTS TO THE US MORE INTEREST THAN THEY MIGHT OTHERWISE HAVE. (1) THE NEED FOR THE INDUSTRY TO CONSOLIDATE THE OPERATIONS OF SOME OF THE SMALL SPECIALTY STEEL PRODUCERS WAS HIGHLIGHTED BY THE ANNOUNCEMENT RECENTLY THAT UDDEHOLM AND STORA KOPPARBERG WERE COMBINING CERTAIN PRODUCTION LINES AND SHUTTING DOWN OTHERS FOR REASONS OF ECONOMY. THE REACTION OF THE NEW GOVERNMENT WAS QUICK. MINISTRY OF INDUSTRY NILS ASLING ASKED BOTH COMPANIES TO HOLD UP ON THE MOVE PENDING FURTHER STUDY. THE LAY-OFF OF EMPLOYEES IN ANY CONSOLIDATION MOVE IS OBVIOUSLY ULTRA-SENSITIVE TO THE NEW GOVERNMENT. THE COMPETITIVE POSITION OF THE INDUSTRY PROBABLY DEPENDS ON SOME DEGREE OF RE-ORGANIZATION, A MATTER WHICH WILL BE DISCUSSED AT LENGTH IN A FORTHCOMING STUDY BY THE IRONMASTERS FEDERATION MANAGING DIRECTOR, ERIC HOOK. (2) SWEDISH SOURCES HAVE ACCUSED JAPAN AND SPAIN OF DUMPING STEEL ON THE SWEDISH MARKET IN RECENT MONTHS. (3) EC COMMISSION IS REPORTED PLANNING MEASURES AGAINST JAPAN'S STEEL EXPORT TO THE COMMON MARKET WHICH, ADDED TO OTHER PROBLEMS, HAVE CREATED A "CRISIS" IN THE STEEL INDUSTRY. SMITH

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